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## **South Africa, Republic of**

## **Sugar**

## **Annual**

## **2003**

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### **Report Highlights:**

**Favorable weather conditions allowed South Africa to set a sugar production record of 2.93 million metric tons raw value in the 2002/03 season. Prospects for the 2003/04 season are not as good and sugar production is only expected to reach 2.66 million tons. About half of the production is exported and the strong Rand is affecting export income. South Africa advocates a free international sugar market but is itself protected by a R1,105/ton import tariff.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Pretoria [SF1] SF

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## Executive Summary

Favorable climatic conditions allowed South Africa to set a new sugar production record of 2.93 million tons raw value from 23 million tons of cane in the 2002/03 season. The previous records was set in 2000/01 when 2.73 million tons of sugar was produced from 23.9 million tons of cane. Prospects for the 2003/04 season are not as good and we forecast a 21.3 million ton cane crop producing 2.66 million tons of sugar. About half the sugar produced is exported but the recent strength of the Rand is cutting export income. Imports are limited by a R1,105/ton import duty and this is causing some strain between the main sugar consumers and the producers. The Government is still investigating the whole sugar agreement controlling the industry.

US Dollar 1 = Rand 8

Sources:

[www.sugar.org.za](http://www.sugar.org.za)

[www.canegrowers.co.za](http://www.canegrowers.co.za)

## Sugar Cane

PSD Table						
Country	South Africa, Republic of					
Commodity	Sugar Cane for Centrifugal				(1000 HA)(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		04/2001		04/2002		04/2003
Area Planted	433	433	437	434	0	435
Area Harvested	330	330	332	328	0	330
Production	21157	21157	22472	23013	0	21270
TOTAL SUPPLY	21157	21157	22472	23013	0	21270
Utilization for Sugar	21157	21157	22472	23013	0	21270
Utilizatn for Alcohol	0	0	0	0	0	0
TOTAL UTILIZATION	21157	21157	22472	23013	0	21270

## Production

A record crop has been harvested in the 2002/03 (FAS 2003) season, with an estimated 2.76 million tons Tell Quell (TQ) or 2.93 million tons raw sugar extracted from 23 million tons of sugar cane. The previous record was reached in 2000/01 when 2.73 million ton T Q or 2.9 million ton raw value (mtrv) was produced from 23.9 million tons of cane.

According to the South African Sugar Association (SASA) the climatic yield potential for the 2002/03 season was the third highest since 1980. Rainfall was favorably distributed and the exceptionally good rain in July 2002 is said to have arrived just in time to prevent serious moisture stress without jeopardizing cane quality. This follows the 2001/02 season which was characterized by erratic rainfall in the summer months and a dry winter which resulted in a poorer crop of 21.2 million tons of cane and 2.4 million tons of sugar. Record Recoverable Value (RV) and sugar to cane ratios were also achieved. The cane to sugar ratio is expected to reach 8.33 when the final figures become available which compared favorably with the 8.38 tons of cane per ton of sugar reached in the 1999/00 season.

At this stage, conditions for the 2003/04 season still show below normal rainfall after the dry summer months. However, the milling season usually runs from April to December during which time conditions can change dramatically. Traditionally a very good crop is followed by a lower crop since the cutting cycle may have been broken. For these reasons we forecast a smaller 2003/2004 crop. Interestingly, though, when the 67,500 ton increase in sugar production since October 2002 is analyzed, it shows that 84% was due to an increase in the cane/sugar ratio, or cane

quality, and only 16% due to an increase in the cane crop.

The following table compares the crops:

Season April/March	Cane cut '000 mt.	Yield Mt./ha harvested	Tell quell Sugar '000 Mt.	Tons cane/ton sugar, mt.
1998/1999	22,930	72.5	2,646	8.67
1999/2000	21,223	67.7	2,532	8.38
2000/2001	23,876	74.0	2,729	8.77
2001/2002	21,157	64.2	2,396	8.83
2002/2003 prelim.	23,013	70.2	2,763	8.33
2003/2004 est.	21,270	64.5	2,500	8.51

## Centrifugal sugar

PSD Table						
Country	South Africa, Republic of					
Commodity	Centrifugal Sugar				(1000 MT)	
	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		04/2001		04/2002		04/2003
Beginning Stocks	455	455	450	450	560	505
Beet Sugar Production	0	0	0	0	0	0
Cane Sugar Production	2542	2542	2785	2930	0	2655
TOTAL Sugar Production	2542	2542	2785	2930	0	2655
Raw Imports	0	0	0	0	0	0
Refined Imp.(Raw Val)	263	263	265	270	0	240
TOTAL Imports	263	263	265	270	0	240
TOTAL SUPPLY	3260	3260	3500	3650	560	3400
Raw Exports	935	935	1030	1200	0	1100
Refined Exp.(Raw Val)	300	300	320	350	0	300
TOTAL EXPORTS	1235	1235	1350	1550	0	1400
Human Dom. Consumption	1570	1570	1585	1590	0	1595
Other Disappearance	5	5	5	5	0	5
Total Disappearance	1575	1575	1590	1595	0	1600
Ending Stocks	450	450	560	505	0	400
TOTAL DISTRIBUTION	3260	3260	3500	3650	0	3400

## Production

The PS&D table shown above is done on a raw sugar basis. As discussed in the sugar cane section the FAS 2003, local 2002/03 season, produced 2.863 million tons TQ sugar or 2.93 million tons raw value at the standard 1.061 conversion factor. The FAS 2004, local 2003/04 season is forecast to produce 2.5 million ton TQ or 2.655 million mtrv.

**Division of proceeds:**

Total proceeds from the sale of local market and export market sugar and molasses are accounted for to the SASA. After deduction of industrial charges, the net divisible proceeds are shared between growers, millers and refiners in terms of a fixed division of proceeds formula provided for in the sugar industry agreement. The growers share of proceeds are usually about 63%.

**Cane payment system:**

At the start of the 2000/01 season the sucrose payment system was replaced by the Recoverable Value, (RV) payment system. The RV system recognizes the effect of Sucrose % in the cane, Non-sucrose % and Fibre % . Cane quality or RV % cane is increased by increasing maturity, freshness and cleanliness of the cane delivered to the mill. Recent RV prices are;

2000/01 R1105/ton, 2001/02 R1352/ton, 2002/03 R1369 per ton RV.

For 2002/03 the average RV was 12.55% and the cane price thus amounted to R171.80/ton, \$21.50 at \$=R8.0.  
For 2001/02 the average RV was 11.85% and the cane price thus amounted to R160.20/ton, \$18.60 at \$=R8.6.  
For 2000/01 the average RV was 11.82% and the cane price thus amounted to R130.50/ton, \$18.80 at \$=R6.9.

The critical determinants of the RV price are the size of the crop, the world market price, the exchange rate and the performance of the domestic market. At this stage, it is not possible to predict the 2003/04 price.

**Consumption**

Detailed consumption data and trends will only be available when the semi-annual report is done later this year.

**Trade**

The calendar year export trade matrix shown below gives an indication of the destination of exports although the nearly 200,000 tons shown to be going to Mozambique consist mainly of sugar exported through the port of Maputo. Mozambique probably only imported about 25,000 tons for own use, the rest mainly going to Iran which is a 200,000 tons per year market not showing up in the matrix. Japan, South Korea and Iran are the main markets although sugar is exported to about ninety countries.

Export Trade Matrix			
Country	South Africa, Republic of		
Commodity	Centrifugal Sugar		
Time period	Jan -Dec.	Units:	Metric tons
Exports for:	2001		2002
U.S.	54201	U.S.	58678
Others		Others	
South Korea	215000	South Korea	230000
Mozambique*	179725	Mozambique*	196469
Japan	201000	Japan	161015
Saudi Arabia	35258	Saudi Arabia	50879
Kenya	66351	Kenya	50851
Mauritius	16596	Mauritius	48102
Malaysia	98000	Malaysia	43053
Sudan	280	Sudan	33368
Indonesia	12513	Indonesia	31975
Jordan	0	Jordan	30129
Total for Others	824723		875841
Others not Listed	638901		216396
Grand Total	1517825		1150915

\* Mainly through shipments.

Imports are minimal and limited by the R1,105/ton import duty. There has been some market access allowance to Zimbabwe, Zambia and Malawi under the SADC agreement while sugar from within the customs union, (Swaziland), is allowed in free of duty. There is some quantity limitation, thought to be about 250,000 tons, but details have not been released.

A Dollar Based Reference Price (DBRP) tariff system for sugar has been in operation since 2001. The DBRP was set at \$330/ton. The tariff is the difference between the DBRP and the 20- day moving average of the no.5 white price as quoted on the London exchange. The tariff is converted to Rand at the exchange rate on the day of the tariff trigger.

Import Trade Matrix			
Country	South Africa, Republic of		
Commodity	Centrifugal Sugar		
Time period	Jan -Dec	Units:	Metric tons
Imports for:	2001		2002
U.S.	5	U.S.	3
Others		Others	
Zimbabwe	257	Zimbabwe	12780
Zambia	23	Zambia	5510
Malawi	15	Malawi	3929
Germany	129	Germany	66
United Kingdom	26	U.K.	40
Total for Others	450		22325
Others not Listed	24		34
Grand Total	479		22362